

Biomass Working Group Meeting Notes
April 27, 2010 9am -12 pm
DNRC SWLO, Missoula

Attendees: Members: Martin Twer-*MSU Extension Forestry*, Julia Altemus-*DNRC Forest Policy*, Shawn Thomas-*DNRC Trust Lands*, Rich Lane-*Camas Creek/Missoula Area Economic Development Corp.*, Todd Morgan-*UM BBER*, Roger Ziesak-*DNRC Forest Practices*, Chuck Rody-Stoltze *Land and Lumber*, By phone: Joe Kerkvliet-*The Wilderness Society*, Ellen Simpson-*Montana Wood Products Association*, Howard Haines- *DEQ Energy*, Julie Kies-*DNRC Biomass Utilization*.

Observers: Chris Town-*Headwaters RC&D*, Gary Wiens-*Montana Electric Co-ops*, Mark Vosburgh-*WGM*, Troy Savage-*WGM*, Jim Kranz-*Plum Creek*, By phone: Chris Pileski-*DNRC Eastern Land Office*, Sonya Nowakowski-*Legislative Services*, Kim Mathews-*private landowner*

Notes: Howard Haines and Julie Kies

Agenda

- Changes in DNRC Biomass Utilization Program
- Review mission of Biomass Working Group
- EQC's next biomass hearing May 6, 2010
- Update from meeting on air permits for wood grinders
- Biomass definition and federal legislation update
- Briefing on biomass project activities in other western states
- Recent happenings of note-UM Missoula biomass energy project, NW Energy and Porterbench Energy co-gen feasibility studies, Smurfit Stone

Minutes

Changes in DNRC Biomass Utilization Program: Julie K talked about how Angela Farr has gone back to work with USFS covering for Dave Atkins in Reg.1 biomass utilization program while he is on detail with WFLC. Julia Altemus and Julie Kies are now working together to manage the DNRC Biomass Utilization Program. This is a good match blending our technical and financial assistance aspect with forest policy, especially since a lot of movement in forest biomass utilization will require policy action at federal and state levels.

Review mission of Biomass Working Group: Julie K revisited mission of BWG is to advise state forester on development of sound biomass utilization strategy for Montana. Intent is to draft a strategy that would be a "living" document for use by state forester. Reviewed participation levels of member, observers and technical advisors and parameters of additional participants—it's important that we do an internal check-in every now and again to see that the appropriate interests are represented. If members want to suggest additional participants, it should be agreed upon by members and name and contact info will be submitted to Julie Kies who will make contact, unless decided otherwise at time. Joe, interests who may be missing are Montana renewable energy interests. Julia, reminded the group that an interests consists of farm bureau, stockgrowers, but since the group biomass harvest may affect fisheries, Trout Unlimited may be an interest that we want to consider. Kim Mathews stated he didn't see that there was representation for forest stewardship, private forest landowners, tree farm, non-industry. Julie, Paul McKenzie with MT Tree Farm is a participant and Roger Ziesak, DNRC Forest Practices are in the BW to represent those interests. Chuck, perhaps we are

missing equipment specialists. Julia, Jason Todhunter covers equipment interests w/MLA representation. Julia, suggested we check in every now and again as our scope and focus changes and be sure the right interests are there. After this conversation, there were no decisions or actions made as to additional participants. Julie K addressed a question Joe K had raised about the decision making process for the group saying that as an “advisory group” to the state forester there won’t be many decisions to vote on collectively. If, when we get a bit closer to collective decision –making we will look at this more. Joe K expressed importance of having clear decision making process in place in order for participation from TWS. Julia A described thumbs up, down, sideways voting process used in voting on BMP revisions and that would likely be the decision process we use. Rich Lane raised thought the supply availability needs to be addressed. We need market opportunities to retain infrastructure. We need policy change to shore up those opportunities. Julie, we initially had 3 phases of work of the BWG with the initial phase being assessment which we’ve worked on with the supply studies by BBER and CROP. We need to decide if/how to utilize CROP—is it useful, how might we make it useful, who is custodian and keeping it updated. Julia, we are somewhere between phase 2 and 3.

EQC’s next biomass hearing May 6: There is an opportunity for public comment. See agenda and decision worksheet here:

http://www.leg.mt.gov/css/Committees/Interim/2009_2010/Environmental_Quality_Council/Meeting_Documents/meetings.asp#meeting5. The agenda includes presentation on NW Energy and Porterbench co-gen studies, lunch time demo of biomass harvest and processing equipment. Sonya will present latest draft of Harvesting Energy Report and decision matrix to EQC. This is the time when EQC members will decide on their findings and recommendations, including suggestions for legislation and bill drafts and any modifications/additions to the Harvesting Energy Report. Julie, this is an opportunity to provide individual comment to these items including support/not for particular legislative actions. Sonya, meeting starts at 9 am, room 172 of Capitol, Helena. This May 6 meeting is the first step to bill drafting. This May meeting will result in a public document and potentially legislation. **Julie will send link to this document of the EQCs findings and recommendations/potential legislation out to BWG when published.** The public can submit comments to EQC proposed legislation until end of June. At July 22-23 EQC meeting, summary of public comment and findings will be presented to EQC. On July 23, EQC will vote on what the legislation should look like.

Update from meeting on air permits for grinders: Shawn Thomas reported on this meeting with DEQ stating there was good representation at the meeting (operators of chipper/grinders, Kevin Jump, Steve Marks, Jason Todhunter, Ellen Simpson, Johnson Bros). DEQ was really open and willing to listen and learn about how the operations and equipment works. As of now, the discussion appears to be whether these are “mobile” or “portable” sources. Portable includes gravel crushers. Need to understand more how these sources are defined in other states and at federal level—think it’s in the “mobile” category. Need more distinct definition. Need to explore how big of an engine is permitted—doesn’t seem to be that big ie. 350 HP chipper. But how does that differ from a 350 HP excavator. There are 6-8 active permits in the state held by Johnson Bros and Travis Gray. Ellen, talked with other states about their permitting and found that most other states are not permitted. Joe K asked what the emission threshold was. Julie, the permit uses the “potential to emit,” using emission potential from 24/7-365 days of equipment operation.

Shawn, also discussed looking into category for ag equipment exemption. Todd, asked question regarding what language in the ag exemption excludes forestry? Sonya, agric equipment was statutorily exempted in 2007 legislature w/ intent to exempt hay grinders and

field harvest equipment. See MCA 75-2-111. Legislative action began as DEQ received complaints on emissions of hay grinders at specific times of year.

Shawn and Ellen agree that they are on a good path working with DEQ, waiting to hear back about legal definitions for mobile and portable, and anticipate a good resolution. Will report back next meeting or at EQC.

Biomass definition & Federal Legislation Update: Julia Altemus talked about the latest status of the biomass definition in federal realm: K/L/G – climate change bill, not introduced because yet because of immigration. 2005 Energy bill has favorable language, the 2007 Energy bill does not. The 2008 Farm Bill has the best definition of woody biomass. Julia has a spreadsheet comparing different climate and energy bills in the current congress. Look at the Bingamin bill as this is the one that's likely to get engulfed in the K/L/G climate bill.. Julia stressed importance that any legislation passed needs to allow biomass removal from federal lands to be eligible to meet Renewable Energy Stds, or else we will make little progress in Montana.

Julia shared highlights of the draft climate bill with the caveat that since it is in draft form, provisions are likely to still change Rich L asked if there was a western coalition pushing for the Farm Bill or 2005 Energy bill. Julia, yes. **Julia A will share bill comparison chart with those who are interested—contact her for a copy. Julia A will give a presentation at next meeting to give an overview to group on dynamics of Montana power, FERC, etc.**

Briefing on biomass happenings in other western states-Joe Kerkvliet and Rob Ethridge Joe and Rob contacted biomass utilization programs at state forestry agencies in OR, WA and ID to see what was happening in their states and if they were developing biomass BMPs, etc. Notes from those discussions are posted under meeting materials on Biomass Wkg Group website. The John Deere slash bundler machinery mentioned in Joe's report from WA state will be on demonstration at May 6 EQC meeting.

Questions was raised as to whether OR, WA, and ID had more space on the power grid than MT. What and why do we have barriers to add'l biomass power transmission on grid in MT. Julia, transmission lines in Montana have issues. There is more internal demand/market in WA and OR than in Montana. Montana exports more power than we use, so the market is either use the power yourself or export it. Julie asked what would opportunities for a biomass CHP plant in city of Troy that would generate power for own use. It is believed they have grid space. Chuck R, oie of the issues in Troy is access to reliable supply since 86% of land around Troy is federal land. There is grid space for maybe 20 MW, but can't guarantee fuel supply. Julie asked if anyone had heard any news on Thompson River Cogen. No one had heard anything since they did the test run on pellets. Others heard it was for sale.

Recent happenings of note:

- **UM Missoula biomass energy project**
Julie Kies said the UM recently advertised a few requests for information recently—Request for Info on cost of biomass fuel and Request for Interviews from potential ESCOs (Energy Service Company) to partner on biomass energy project. The UM is hoping to find fuel at no more that \$40/green ton. Fuels for Schools projects across the state are paying between \$42-\$55/green ton. They are looking at a total project cost of \$5-10 million By working with an ESCO, UM gets financial assistance for project by guaranteeing a particular amount of energy savings to the ESCO, who in return helps pay for the construction of the energy saving project (biomass plant). Julie, DNRC will do a regional supply assessment by ownership for a 30-mi and 50 mi air radius that shows actual projects and harvest volumes

to come off nearby lands in next 5 years. UM is also doing an inventory of Lubrecht and Bandy Ranch to see what biomass fuel might be available from there over a period of time.

- Status of NW Energy and Porterbench Energy co-gen studies.
Julie K, my understanding is that these are not fully complete. The preliminary draft results are being presented later today. **Julia A will send out what is publically released.**
- Smurfit-Stone
Julia A, no one is really sure what will happen at this site. It will likely not be a paper mill again, especially without the black liquor subsidy. It will more likely be a biomass energy or biofuels plant. They are expected to be out of bankruptcy on May 10. Dick King w/MAEDC gave an update to the Montana Forest Restoration Committee Roundtable last week where he mentioned that there are 3-4 documents that they have received from Smurfit about site operations and financials that would be available to a party with a legitimate reason ie. a buyer of the site. Notes from that Roundtable meeting are public and available on the MFRC website. Smurfit is open to a joint-venture.

‘Round the Room/Other items:

- Joe K mentioned the SW Crown Collaborative Forest project proposal which will be submitted to USFS Region 1 regional forester May 15. It outlines a 10-yr plan for restoration and biomass harvesting (R 1). There is a \$40 MM pot, and they plan to treat 100,000 acres. Two will be selected from each region to go to Wash DC, and 10 total will be funded. Or up to 10, at \$4 million each for 10 yrs. Match was required, and this project will total \$ 90 million over the 10-year period.
- There is an Emerging Markets for Biomass Stewardship Summit at Double Arrow Lodge in Seeley Lake. Julie K plans to attend.
- Guest ChrisTown, Headwaters RC&D (Butte) talked about biomass activities in Butte/Anaconda/Helena area— nothing solid, but really concerned by markets. They’ve explored potential markets for biomass in the east, Missouri & Kansas. Suggested we need someone in the state whose job it is to research markets & share with everyone in the state—not sure we (the state) have anyone in that capacity. Previously done out of extension, (Roy Anderson).
- Todd Morgan asked for update from BMP/Harvest Guidelines subgroup. Julie, we are meeting tomorrow to discuss development of guidelines beyond water quality ie. wildlife, soil productivity. We are also exploring guidelines developed by other states. I will present proposed modifications to BMPs to BMP working group on 4/29. Rich commented that we need to consider fuels mitigation around homes and how guidelines might differ in those areas.
- Guest Gary Wiens from Montana Rural Electric Coops introduced himself. Stated that Flathead Electric is still interested in finding ways to make co-gen at Stoltze work. He stated that MREA had concern about expanding the Renewable Portfolio Stds in MT to include co-ops. Co-ops are required to mirror the intent of the RPS, but not req’d by law to adhere. The co-ops are doing a lot in support of renewable energy projects. One of the big concerns is pricing for consumers.

Discussion about the challenge and timelines of building transmission capacity through public lands. Co-ops need more transmission capacity out west of the divide. Next year,

BPA will limit their less-expensive hydro supply to the co-ops to what was used the past couple of years. Any growth by the co-ops will have to come from them developing their own or buying on the market. That's why there are geothermal projects in the works on some, wind generation by Vigilante at Dillon. Question arose about any of it needing to be green-tag. Resp: Co-ops are not obligated to buy green tags; federal facilities, yes, but the energy transmission companies-no. Sonya, suggested the co-ops look at MCA 69-3-609 for qualifying facilities, under the state's mini-PURPA, < 80 MW. Regulated utilities have to buy power, but not at a cost that is profitable (avoided cost, the cost to put in the next resource).

- Guests Mark Vosburgh and Troy Savage from WGM introduced themselves. Stated they are former employees of Smurfit Stone seeking ways to keep industrial engineers employed in Missoula area. They have teamed up with McKinstry Corp.
- Rich Lane stated he appreciated hearing the updates of what other states are doing and would like to hear more from other states

Agenda Items suggested for next BWG meeting(s):

- Presentation on the workings of power in Montana, presented by Julia Altemus
- What are MT co-ops doing to pursue renewable, presented by Gary Wiens
- DOC update on co-gen studies
- EQC update
- Hear from biomass programs in other states ie So. Carolina

Action Items:

- When available, Julie will send out link to EQCs findings/recommendations from May 6 meeting
- Julie will find way to share Shawn T's video of the Swedish wood chopper by Modern Machinery
- Julie will send out Joe/Rob's state biomass program summaries
- Julie will share details of UM Missoula's activities as they're made public
- Julie will send out materials from DOC co-gen studies as they're made public
- Julie will post meeting materials on BWG website

Next meeting: May 25, 2010 DNRC Southwest Land Office, Missoula